

AMENDED IN SENATE MAY 25, 2005

AMENDED IN SENATE MAY 4, 2005

**SENATE BILL**

**No. 603**

**Introduced by Senator Ortiz**

February 18, 2005

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An act to add Section ~~1861.17~~ 676.11 to the Insurance Code, relating to credit information.

LEGISLATIVE COUNSEL'S DIGEST

SB 603, as amended, Ortiz. Insurance: credit ratings.

Existing law provides for the regulation of insurers by the Insurance Commissioner and imposes various obligations on insurers with respect to the determination of insurance rates. Existing law provides for the commissioner to enforce these provisions by imposing certain penalties and taking various licensing actions. Existing law also provides that a willful violation of certain provisions is a misdemeanor.

This bill would prohibit an insurer from using credit ratings, credit reports, credit scoring models, or credit information to underwrite, classify, or rate certain insurance policies that provide coverage for loss or damage relating to automobiles; real or personal property, including loss or damage caused by fire; and residential property where the loss or damage is caused by earthquake. The bill would also prohibit an insurer from refusing to issue those policies, and from nonrenewing or canceling those policies, based upon credit grounds.

By creating a new crime, this bill would impose a state-mandated local program

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state.

Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section ~~1861.7~~676.11 is added to the Insurance  
2 Code, to read:  
3 ~~1861.7.—~~  
4 676.11. (a) Notwithstanding any other provision of law, an  
5 insurer shall not use credit ratings, credit reports, credit scoring  
6 models, or credit information to underwrite, classify, or rate  
7 insurance policies that are subject to Section 660, 675, 2071, or  
8 10081. An insurer shall not nonrenew or cancel, or refuse to  
9 issue, an insurance policy subject to Section 660, 675, 2071, or  
10 10081 based upon credit ratings, credit reports, credit scoring  
11 models, or credit information.  
12 ~~(b) The commissioner shall enforce this section pursuant to~~  
13 ~~Section 1861.14.~~  
14 *(b) A violation of this section shall be subject to the penalties*  
15 *set forth in Section 1859.1.*  
16 SEC. 2. No reimbursement is required by this act pursuant to  
17 Section 6 of Article XIII B of the California Constitution because  
18 the only costs that may be incurred by a local agency or school  
19 district will be incurred because this act creates a new crime or  
20 infraction, eliminates a crime or infraction, or changes the  
21 penalty for a crime or infraction, within the meaning of Section  
22 17556 of the Government Code, or changes the definition of a  
23 crime within the meaning of Section 6 of Article XIII B of the  
24 California Constitution.